

**BOARD GOVERNANCE COMMITTEE MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**

**Retirement Board Conference Room
One McInnis Parkway, 1st Floor
San Rafael, CA**

October 20, 2011 - 9 A.M.

CALL TO ORDER Chair Brenk called the meeting to order at 9:07 A.M.

ROLL CALL PRESENT: Bolger, Brenk, Gladstern, Haim, Webb

 ABSENT: McFarland

MINUTES

It was M/S Bolger/Gladstern to approve the June 28, 2011, Governance Committee Meeting Minutes as submitted. The motion was approved by unanimous vote.

A. OPEN TIME FOR PUBLIC EXPRESSION

Note: The public may also address the Committee regarding any agenda item when the Committee considers the item.

No public comment.

B. OLD BUSINESS

None.

C. NEW BUSINESS

1. Travel Expense Policy (Action)

Consider and possibly recommend to Board amendments to Travel Expense Policy in response to Finance & Risk Management Committee comments

Retirement Administrator Jeff Wickman stated that proposed revisions to the Travel Expense Policy respond to inquiries from the Committee to clarify how expenses are to be handled for MCERA consultants.

The Committee considered whether the Education Policy needed revisions to clarify in what situation consultants would be reimbursed for expenses when they were acting on behalf of and to the benefit of MCERA. The Committee also discussed that in general consultant expenses for education are not reimbursable and should be covered by their fee.

Mr. Wickman affirmed that MCERA does not pay for consultant expenses associated with travel for educational purposes unless the consultant is representing MCERA at a particular event. Any payments MCERA made for convenience of the consultant to attend a conference should be reimbursed by the consultant to MCERA.

2. Placement Agent Payment Disclosure Policy (Action)

Consider and possibly recommend to Board regarding amendments to Policy regarding SB 398

Mr. Wickman stated that revisions to the Placement Agent Payment Disclosure Policy define placement agents by referring to the definition in the state statute. Counsel observed that compliance managers of external investment managers are responsible for identifying who fits the placement agent definition.

It was M/S Webb/Bolger to recommend that the Board adopt amendments to the Placement Agent Payment Disclosure Policy in accord with SB 398 as amended.

AYES: Bolger, Brenk, Gladstern, Webb

NOES: None

ABSTAIN: None

ABSENT: Haim, McFarland

3. Senior Management Contingency Policy (Action)

Consider and possibly recommend to Board draft senior management contingency policy

Mr. Wickman presented the Senior Management Contingency Plan Policy to set forth procedures for management stability and continuity under unforeseen circumstances.

Trustee Haim joined the meeting at 9:48 A.M.

The Committee discussed the Policy's provisions, and Trustee Haim distinguished the role of the Board from that of senior management.

It was M/S Gladstern/Bolger to recommend that the Board adopt the Senior Management Contingency Plan Policy as amended per discussions. The motion was approved by unanimous vote.

4. Compensation Earnable Regarding Severance Pay Resolution (Action)

Consider and possibly recommend to Board compensation earnable resolution clarifying exclusion of severance pay

Mr. Wickman presented the Compensation Earnable Regarding Severance Pay Resolution. The resolution aligns with MCERA's existing practice with regard to payments made to a member as the result of separation of service. It is the nature of the payment and not the date of receipt that determines whether it may be pensionable, according to Mr. Wickman. Chair Brenk supported the Resolution, as it implements recent court interpretations of the CERL, as explained by counsel.

It was M/S Bolger/Webb to recommend that the Board adopt the Resolution Clarifying Exclusion of Separation Payments from Calculation of Retirement Allowances. The motion was approved by unanimous vote.

5. Disability Retirement Processing Agreement with Other CERL System (Action)
Consider and possibly recommend to Board agreement with another local CERL system re disability retirement application processing

Mr. Wickman stated that the proposed agreement would be between MCERA and the Sonoma County Employees' Retirement Association (SCERA). The proposed agreement would allow each system to send any disability retirement application to the other system to conduct initial research when the application is submitted by a former trustee or association staff member of the system to which the application was submitted. This is intended to address any appearance of conflict of interest that might otherwise arise if staff of the association to which the individual was previously connected were to conduct the investigation. Each association would conduct the disability investigation using the rules of the association to whom the applicant had applied.

It was M/S Haim/Webb to recommend that the Board adopt the Disability Retirement Application Processing Agreement with Other CERL as amended. The motion was approved by unanimous vote.

The draft agreement will be submitted to the SCERA disability committee for review before submission to the MCERA Board for approval.

Upon the request of Trustee Bolger, Chair Brenk directed deliberations to **Agenda Item C.8.**

8. Class Action Securities Litigation Policy (Action)
Triennial review of Class Action Securities Litigation Policy and provide direction to staff re same

After consulting with counsel and MCERA securities litigation monitoring firms, Mr. Wickman stated that staff recommends amending the Class Action Securities Litigation Policy to reduce the lead plaintiff threshold to one million dollars from the current ten million dollars. Counsel Dunning stated that the proposed modification would increase the likelihood of being presented with the opportunity to be lead plaintiff.

The Committee weighed the benefits and considerations of the proposed lowered dollar threshold, such as potential dollar recoveries, attorneys' fees, and impact on staff.

It was M/S Bolger/Gladstern to recommend that the Board adopt amendments to the Class Action Securities Litigation Policy to reduce to one million the potential loss threshold, as amended.

The motion was approved by unanimous vote.

Trustee Bolger was excused from the meeting at 10:45 A.M.

Chair Brenk directed deliberations to **Agenda Item C.6.**

6. Reciprocity Policy (Action)

Consider and possibly recommend to Board draft reciprocity policy

Mr. Wickman presented a proposed Policy Regarding Reciprocal Members' Final Compensation Determinations, which clarifies current practice with respect to reciprocal members' retirement calculations. According to counsel, the Policy provides that MCERA will use the same rules when determining final compensation of reciprocal members as it does for those who do not have reciprocity, and will not defer to another system's determination of how retirement allowances are to be calculated with regard to MCERA's portion of the benefit. Mr. Wickman discussed the importance of obtaining detailed salary records from reciprocal employers with respect to the implementation of this Policy. Counsel and staff also recommended that an additional category be added to the Policy regarding the following item to be excluded from compensation earnable: "cash payments for accrued leave in amounts that exceed that which the member earned and was permitted to receive in cash during a twelve-month period as described in MCERA Board Resolution No. 2008/09-04." Employees with reciprocity who leave MCERA, according to Helen Moody, should be informed about potential compensation differences.

It was M/S Gladstern/Webb to recommend that the Board adopt the Policy Regarding Reciprocal Members' Final Compensation Determinations as amended regarding cash payments for accrued leave.

AYES: Brenk, Gladstern, Haim, Webb

NOES: None

ABSTAIN: None

ABSENT: Bolger, McFarland

Chair Brenk recessed the meeting for a break at 10:55 A.M., reconvening at 11:00 A.M.

7. Resolution Interpreting "Permanently Incapacitated" Standard (Action)

Consider and possibly recommend to Board resolution interpreting "permanently incapacitated" standard for purposes of determining eligibility for disability retirement

Mr. Wickman presented the proposed Resolution Interpreting "Permanently Incapacitated" Standard to clarify the standard the Board uses to determine eligibility for disability retirement as to permanent incapacity. The Committee discussed other similar definitions of "permanently incapacitated" that are used by other county retirement systems and considered the benefits and drawbacks of including a one year threshold as set forth in the Worker's Compensation definition. Trustee Gladstern indicated that after a period of time disability cases may still be reviewed. There was general agreement that staff will recommend those cases that will be subject to future review and confirmation of disabled status.

It was M/S Gladstern/Webb to recommend that the Board adopt the Resolution Interpreting "Permanently Incapacitated" Standard as amended.

AYES: Brenk, Gladstern, Haim, Webb

NOES: None

ABSTAIN: None

ABSENT: Bolger, McFarland

9. Investment Code of Conduct and Insider Trading Policy Review (Action)
Triennial review of Investment Code of Conduct and Insider Trading Policy

Mr. Wickman stated that, based upon a triennial review of the Investment Code of Conduct and Insider Trading Policy and conference by counsel with colleagues, no revisions are indicated.

It was M/S Webb/Gladstern to affirm the Investment Code of Conduct and Insider Trading Policy without amendment based on a triennial review. The motion was approved by unanimous vote.

10. Form 700 Training
Discuss forum and timing for Form 700 training in early 2012

Mr. Wickman recommended planning for a special training session on Form 700 reporting. The Committee discussed appropriate venues for the training, and Mr. Wickman recommended that it be completed prior to the end of February.

11. New Trustee Training
Discuss training for anticipated new members of Retirement Board in 2012

Mr. Wickman reviewed current Education Policy provisions for training new trustees. The Handbook serves as the background for both technical and administrative education. Mr. Haim is interested in a process to impart basic investment concepts before new trustees join the Board.

Chair Brenk suggested using as models new trustee training provided by SACRS and other systems, and Trustee Gladstern considered providing a job description to potential trustees.

12. Corporate Governance Policy Review (Action)
Annual review of Corporate Governance Policy

Subsequent to its annual review, Mr. Wickman recommended extending the Corporate Governance Policy's review period to the three-year standard to conform to the review schedule of the majority of MCERA's other policies. Ms. Dunning indicated that the Policy may be reviewed more frequently on an as-needed basis. Trustee Gladstern proposed a strategic workshop session on the Policy.

It was M/S Gladstern/Webb to recommend that the Board adopt amendments to the Corporate Governance Policy as submitted. The motion was approved by unanimous vote.

13. Next Committee meeting
Consider possible agenda topics, including without limitation, proxy voting policies, and set date for next meeting

Chair Brenk suggested that more frequent Committee meetings may be necessary based on the numerous topics considered. To provide sufficient time for the Board's deliberations, current action items will be divided between the next two Board meetings.

There being no further business, Chair Brenk adjourned the meeting at 11:54 A.M.

Greg Brenk, Chair

Attest: Jeff Wickman, Retirement Administrator